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E. O. 11652: GDS

TAGS: MARR, MILI, PFOR, EFIN, NATO, GW

SUBJECT: NEW INITIATIVE ON BURDENSARING

1. THE PRESIDENT' S FOREIGN POLICY REPORT OF MAY 3 CALLS
ON THE ALLIANCE AS A WHOLE TO EXAMINE THE PROBLEMS OF THE
MILITARY BOP DEFICIT OCCASIONED BY OUR TROOP DEPLOYMENTS IN
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EUROPE. TO MEET THIS NEED, WE ARE UNDERTAKING EFFORTS TO DEVELOP NEW ARRANGEMENTS WITH OUR ALLIES TO OFFSET AND REDUCE THE MILITARY BALANCE OF PAYMENTS COSTS OF OUR FORCE DEPLOYMENTS. OUR EFFORTS WILL BE OF TWO KINDS:

A. THE NEGOTIATION OF THE ADDITIONAL BILATERAL ARRANGEMENT WITH THE FRG, PREPARATIONS FOR WHICH ARE NOW IN TRAIN.

B. DEVELOPMENT WITH THE ALLIES OF A MULTILATERAL ARRANGEMENT TO REDUCE THE BOP DRAIN OF US FORCE DEPLOYMENTS.

2. IT HAS BEEN AGREED WITH THE FRG THAT THE NEGOTIATION OF THE BILATERAL ARRANGEMENT WILL BEGIN IN JULY WITH THE OBJECTIVE OF REACHING AGREEMENT BY THE END OF THE YEAR. THE DEVELOPMENT OF A MULTILATERAL ARRANGEMENT IS EXPECTED TO BE MORE COMPLICATED AND MAY TAKE LONGER. OUR INITIAL OBJECTIVE, THEREFORE, IS THE ESTABLISHMENT AT THE JUNE DPC MEETING OF A PROGRAM FOR THE DEVELOPMENT OF THE MULTILATERAL ARRANGEMENT. THIS PROGRAM WILL CALL FOR THE ALLIES TO PROVIDE THEIR OWN RECOMMENDATIONS ON APPROPRIATE MULTILATERAL ARRANGEMENTS AT THE FALL DPC MINISTERIAL.

3. FOR USNATO: USING GUIDANCE CONTAINED THIS MESSAGE THE AMBASSADOR, STRESSING CONFIDENTIALITY OF MATTER UNTIL BROACHED TO DPC, SHOULD CONSULT WITH SYG LUNS TO SEEK HIS SUPPORT AND ADVICE ON HOW TO PROCEED SO AS TO ARRIVE AT AN EFFECTIVE MULTILATERAL ARRANGEMENT AS SOON AS POSSIBLE. FOLLOWING CONSULTATION WITH LUNS, AND AFTER HAVING RECEIVED INITIAL GERMAN REACTION PER PARA 4, AMBASSADOR RUMSFELD SHOULD RAISE MATTER DIRECTLY WITH THE DPC. SUBSEQUENTLY, US WOULD SEEK AUTHORITATIVE ALLIED REACTION DURING DPC MINISTERIAL, AS INDICATED IN PARA 9 BELOW.

4. FOR BONN: YOU SHOULD INFORM FOREIGN OFFICE THAT IN ACCORDANCE WITH CASEY- HERMES DISCUSSION OF MAY 1, WE INTEND TO MOVE AHEAD ON BILATERAL OFFSET NEGOTIATIONS WITH THE FRG. WE ARE INFORMING FRG IN ADVANCE OF OUR APPROACH TO NATO ON MULTILATERAL EFFORT, BECAUSE OF THE OBVIOUS RELATIONSHIP BETWEEN BILATERAL OFFSET AND MULTILATERAL BURDENSARING. AS CASEY POINTED OUT TO HERMES, PROVISIONS OF A BILATERAL AGREEMENT COULD ULTIMATELY BE PHASED INTO A MULTILATERAL ARRANGEMENT. YOU SHOULD ASSURE THE GERMANS CONFIDENTIAL

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THAT WE INTEND TO DISCOURAGE OTHER ALLIES FROM PRESSURING THE FRG FOR FURTHER ASSISTANCE REGARDING THEIR TROOP STATIONING COSTS. BONN SHOULD REPORT GERMAN REACTION TO WASHINGTON AND USNATO BY IMMEDIATE CABLE.

5. THE REMAINDER OF THIS MESSAGE MAY BE USED IN MAKING PRESENTATION AT NATO AND BONN.

6. WE CONTINUE TO BELIEVE THAT AS THE PRESIDENT SAID IN HIS FOREIGN POLICY REPORT " IMPROVEMENTS IN EUROPEAN FORCES ARE THE MOST IMPORTANT ASPECT OF SHARING THE DEFENSE BURDEN."

7. HOWEVER, ANOTHER TYPE OF BURDENSARING, LONG RECOGNIZED AS AN ESSENTIAL TASK OF THE ALLIANCE, IS CONCERNED WITH MEETING THE COSTS INCURRED BY ONE ALLY FOR THE STATIONING OF ITS TROOPS ON THE SOIL OF ANOTHER. AS EARLY AS 1957 WE ACKNOWLEDGED THE NEED TO " STUDY THE COMMON SOLUTION OF CURRENCY PROBLEMS ARISING FROM THE STATIONING OF TROOPS IN OTHER MEMBER STATES" C- M(57)112. IN THE NOVEMBER 1968 NAC COMMUNIQUE, THE MINISTERS AGAIN STRESSED THAT " THE SOLIDARITY OF THE ALLIANCE CAN BE STRENGTHENED BY COOPERATION BETWEEN MEMBERS TO ALLEVIATE BALANCE OF PAYMENTS DEFICITS RESULTING SPECIFICALLY FROM MILITARY EXPENDITURES FOR THE COMMON DEFENSE."

8. IN HIS MAY 3, 1973 REPORT, PRESIDENT NIXON STATED:
" OUR POSITION IS UNIQUE IN THAT OUR DEPLOYMENTS IN EUROPE ADD SIGNIFICANTLY TO OUR GENERAL BALANCE OF PAYMENTS DEFICIT. IN 1972 THE UNITED STATES SPENT ABOUT 2.1 BILLION DOLLARS IN OTHER NATO COUNTRIES TO SUPPORT OUR NATO DEPLOYMENTS. ALLOWING FOR NATO MILITARY SPENDING IN THE UNITED STATES, MAINLY FOR EQUIPMENT AND TRAINING OUR NET MILITARY DEFICIT WAS ABOUT 1.5 BILLION DOLLARS. THIS NET DEFICIT HAS RISEN SINCE 1970 AND, FOR A VARIETY OF REASONS INCLUDING THE DEVALUATION OF THE DOLLAR, WILL CONTINUE TO RISE . . . THE ALLIANCE AS A WHOLE SHOULD EXAMINE THIS PROBLEM. AS A GENERAL PRINCIPLE, WE SHOULD MOVE TOWARD A LASTING SOLUTION UNDER WHICH BALANCE OF PAYMENTS CONSEQUENCES FROM STATIONING US FORCES IN EUROPE WILL NOT BE SUBSTANTIALLY DIFFERENT FROM THOSE OF MAINTAINING THE

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SAME FORCES IN THE UNITED STATES. IT IS REASONABLE TO EXPECT THE ALLIANCE TO EXAMINE THIS PROBLEM THIS YEAR. ELIMINATING THE PERIODIC REQUIREMENT TO RENEGOTIATE A TEMPORARY ARRANGEMENT WITH ONLY ONE ALLY WOULD STRENGTHEN THE SOLIDARITY OF THE ALLIANCE AS A WHOLE."

9. AT THE DPC MEETING ON JUNE 7, WE INTEND TO ASK THE MINISTERS TO REAFFIRM IN THE COMMUNIQUE THE BURDENSARING PRINCIPLES JUST MENTIONED, AND ALSO INDICATE IN THE COMMUNIQUE THEIR WILLINGNESS TO JOIN A PROGRAM TO FIND MULTILATERAL MEASURES TO COMPENSATE FOR THE ADDITIONAL BURDEN ON THE US OCCASIONED BY THE STATIONING OF OUR TROOPS IN EUROPE.

10. WE DO NOT WISH TO PROPOSE A PRECISE FORMULATION AS TO HOW THIS MATTER MIGHT BE CONSIDERED. HOWEVER WE BELIEVE THAT THE EUROGROUP MIGHT BE AN APPROPRIATE VEHICLE BY WHICH THE ALLIES COULD ADDRESS THE PROBLEM. OTHER POSSIBILITIES COULD BE A DPC SUBGROUP OR A SPECIAL BODY.

11. A PRINCIPLE OBJECTIVE OF NEW MULTILATERAL ARRANGEMENTS SHOULD BE TO DEVELOP MEASURES TO PROVIDE BOP RELIEF WITH PARTICULAR EMPHASIS ON THOSE THAT COMPENSATE FOR AT LEAST THE ADDITIONAL BUDGETARY COSTS TO THE US OF ITS EUROPEAN DEPLOYMENTS THROUGH A PROGRAM EMBRACING MEASURES SUCH AS THOSE OUTLINED IN PARA 12 BELOW, USING A PAYMENTS FUND IF PARTICIPANTS PREFER. FYI. THESE ADDITIONAL BUDGETARY COSTS ARE ESTIMATED TO AMOUNT TO APPROXIMATELY 350 TO 400 MILLION DOLLARS ANNUALLY. WE ARE CURRENTLY ANALYZING THESE FIGURES AND WILL PROVIDE YOU WITH BACKGROUND AS SOON AS POSSIBLE. IF PRESSED, YOU MAY SAY WE HOPF TO PRESENT FIGURES SHORTLY. END FYI. IF SUCCESSFUL SUCH SUPPORT WOULD HELP TO REDUCE OUR MILITARY BOP DEFICIT SIGNIFICANTLY AND WOULD BE MOST USEFUL AS A DEMONSTRATION TO THE US CONGRESS OF THE BREADTH OF ALLIED EFFORTS IN SHARING THE BURDEN OF THE COMMON DEFENSE. IT WOULD ALSO BE EXTREMELY EFFECTIVE IN ANSWERING CONGRESSIONAL CRITICS OF OUR EUROPEAN TROOP DEPLOYMENTS SINCE UNDER SUCH AN ARRANGEMENT IT COULD NOT BE ARGUED THAT REDEPLOYMENT OF TROOPS TO THE US WOULD REDUCE US DEFENSE EXPENDITURES.

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12. AS TO SOLUTIONS, THERE ARE TWO BROAD AREAS OF ALLIED EFFORT THAT COULD BE HELPFUL:

A. ACTIONS THAT BOTH ALLEVIATE THE BOP BURDEN AND COMPENSATE FOR AT LEAST ADDITIONAL COSTS OF US FORCES IN EUROPE. EXAMPLES INCLUDE (1) JOINTLY SHARING THE OPERATING COSTS OF BASES USED BY STATIONED FORCES, SUCH AS PAYING SOME PART OF LOCAL LABOR COSTS; (2) CONSTRUCTION AND MAINTENANCE OF SUPPORT FACILITIES

; (3) MODIFICATION

OF INFRASTRUCTURE PROGRAMS TO REDUCE US COSTS AND ENCOMPASS PROJECTS NOW FINANCED BY THE US.

B. ACTIONS HAVING ONLY BALANCE OF PAYMENTS VALUE, SUCH AS PURCHASE OF MILITARY GOODS AND SERVICES IN THE UNITED STATES.

13. THE FOREGOING IN NO WAY CHANGES THE PRESIDENT'S COMMITMENT JUST REAFFIRMED IN HIS FOREIGN POLICY REPORT TO THE CONGRESS THAT, " IN THE LIGHT OF THE PRESENT STRATEGIC BALANCE AND OF SIMILAR EFFORTS BY OUR ALLIES WE

WILL NOT ONLY MAINTAIN BUT IMPROVE OUR FORCES IN EUROPE AND WILL NOT REDUCE THEM UNLESS THERE IS RECIPROCAL ACTION BY OUR ADVERSARIES." HOWEVER, THE US HOPES FOR THE COMPREHENDING SUPPORT OF ITS FRIENDS IN ITS EFFORTS TO OVERCOME ITS FINANCIAL DIFFICULTIES.

14. WE HOPE TO HEAR THE PRELIMINARY VIEWS AND REACTIONS OF OTHER MEMBERS AS SOON AS POSSIBLE AND AT LEAST BY THE TIME OF THE JUNE 7 MEETING OF THE DPC. IN TERMS OF CONGRESSIONAL PRESSURE, IT WOULD BE USEFUL IF THE ALLIES COULD GIVE A PRELIMINARY REPORT BY LATE SUMMER ON THE PROGRESS THEY HAVE MADE AND STEPS THEY ENVISAGE TAKING TO PROVIDE THE ASSISTANCE REQUESTED.

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